

ENCLOSURE A: MAIN

Economics Guidance Memorandum Number 02-03
Ability to Pay
Current State and County Income Index Data
Current Eligibility Factor Formula.

1. Purpose. This Economic Guidance Memorandum provides current per capita personal income index data and the current Eligibility Factor formula; both are used in applying the Ability-To-Pay test to flood control projects.

2. References.

a. PL 99-662, Section 103(m), Water Resources Development Act (WRDA) of 1986. [Available at http://www.usace.army.mil/inet/functions/cw/cecwp/branches/leg_manage/index.htm]

b. ER 1165-2-121, Flood Control Cost-Sharing Requirements under the Ability-To-Pay Provision – Section 103(m) of PL 99-662, 1 November 1989. This is the Engineering Regulation form of the final rule developed for Section 103(m); the final rule was printed in the Federal Register October 2, 1989 (54 FR 40578). [ER 1165-2-121 is available at <http://www.usace.army.mil/inet/usace-docs/eng-regs/er1165-2-121/toc.htm>]

c. PL 102-580, Section 201, Water Resources Development Act of 1992. [http://www.usace.army.mil/inet/functions/cw/cecwp/branches/leg_manage/index.htm]

d. Final Amended Rule, printed in the Federal Register January 26, 1995 (60 FR 5133). Incorporates Ability-To-Pay changes contained in PL 102-580. [<http://198.17.75.65/fril/1995/19950126/95-1733.txt>]

e. 33 CFR 241. A complete statement of the Ability-To-Pay procedures, including amendments. [http://www.access.gpo.gov/nara/cfr/waisidx_99/33cfr241_99.html]

f. Memorandum for Commanders, Major Subordinate Commands, 27 February 2001. Subject: Implementation of Sections 203(d)(1) and 204 of the Water Resources Development Act of 2000 – Ability to Pay. [http://www.usace.army.mil/inet/functions/cw/cecwp/branches/mp_and_dev/Wrda00/wrda00203-4.PDF]

3. Background. The Water Resources Development Act of 1986 provides for non-Federal cost share savings in some low income areas. Reduced cost shares apply only to flood control projects; cost share reductions are based on an area's ability to pay. WRDA 2000 alters ability-to-pay eligibility conditions, but a final implementation rule is not yet developed or published in the Federal Register, and therefore ability-to-pay cost share

reductions are currently available only to flood damage reduction projects (see reference f).

a. To determine whether or not cost share savings are available to a flood damage reduction project apply the ability-to-pay guidance in reference 2e (33 CFR 241).

b. Per the ability-to-pay guidance, an Eligibility Factor (EF) is to be calculated based on state and county per capita personal income data. There is, in addition, a per capita project construction cost criterion that may affect a sponsor's cost share savings. For application of both of these criteria see the guidance at 33 CFR 241.

4. State and County Income Data and Eligibility Factor (EF) formula.

a. This Economic Guidance Memorandum provides in Enclosures B and C the relevant state and county per capita income data to use in the Eligibility Factor formula. The income data are for the years 1996 to 1998. EF formula coefficients were determined using this data set (per 33 CFR 241) and cannot be applied to income data for other years.

b. The form of the EF formula is:

$$EF = a - b1 \times (\text{state income index}) - b2 \times (\text{county income index})$$

Where state income index is the average over three years of the state per capita income index (state per capita income divided by national per capita income) for the state (or states) in which the project is located

and

county income index is the average over three years of the county per capita income index (county per capita income divided by national per capita income) for the county (or counties) in which the project is located.

c. The parameters a, b1, and b2 have been determined using the state and county per capita index data and the condition that a certain fraction of the counties are to have eligibility factors greater than zero. Until further notice the values of the parameters are:

$$a = 17.90057$$

$$b1 = 0.077461$$

$$b2 = 0.154922$$

5. These per capita income data and EF formula coefficients are for immediate use and should be used until new information is furnished by HQUSACE.